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# ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACEKEEPING OPERATIONS: FINANCING OF THE UNITED NATIONS PEACEKEEPING OPERATIONS

## Management of peacekeeping assets: surplus asset storage facilities and mission start-up kits at the United Nations Logistics Base, Brindisi

## Management of peacekeeping assets

## Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the financing of the United Nations Logistics Base, Brindisi and on the management of peacekeeping assets (A/51/905 and A/51/957, respectively). During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided clarifications and additional information.

## I. FINANCING OF THE UNITED NATIONS LOGISTICS BASE, BRINDISI

2. The Advisory Committee, during its review of the report of the Secretary-General of 25 May 1994 on the effective planning and administration of peacekeeping operations (A/48/945 and Corr.1), was informed of the arrangements being made for the establishment of a base in Brindisi, Italy, in support of the United Nations Protection Force (UNPROFOR) and storage of start-up kits. The United Nations supply depot maintained in Naples until 1958 and in Pisa thereafter, funded by the regular budget, had become inadequate to handle the volume of equipment activities in 1993. The General Assembly, in section XIV of its resolution 49/233 of 23 December 1994, welcomed the establishment at

Brindisi of the first permanent United Nations logistics base to support peacekeeping operations, endorsing the request of the Advisory Committee in its report of 18 November 1994 (A/49/664) for a detailed report. Details regarding the establishment, functioning and financing of the Base were presented by the Secretary-General in his reports of 3 July 1995 (A/49/936) and 1 April 1996 (A/50/907). The General Assembly, pending submission of follow-up information requested by the Advisory Committee in its report of 26 June 1996 (A/50/985), including a cost-benefit analysis, deferred consideration of the reports in its decision 50/500 of 17 September 1996.

3. The Advisory Committee notes that the Secretary-General, in paragraph 11 of his report of 21 May 1997 (A/51/905), indicates the original functions envisaged for the Base. Paragraph 13 indicates the new and revised role of the Base as follows: the storage and maintenance in serviceable condition of reusable assets from liquidated missions, which would equip new missions or sustain existing ones; the maintenance of two start-up kits, instead of the five originally proposed by the Secretary-General in his report of 3 July 1995 (A/49/936), which would provide basic and initial support requirements for any new mission for up to 100 persons up to three months; and the functioning of the Base as a satellite operations relay centre between United Nations Headquarters and peacekeeping operations, field missions and offices.

4. The relevant portions in the document, which address the cost-benefit analysis requested by the Advisory Committee and the General Assembly, are contained in paragraph 9 and annex VIII of the Secretary-General's report. As claimed in paragraph 9, at least $49.7 million in new procurement costs have been avoided for the Organization. Furthermore, it is also claimed that the traditional 12 to 18 months it takes to procure new equipment for missions has been reduced to 2 to 4 weeks by redistributing assets held at the Base to field missions. The Committee believes these claims to be greatly exaggerated and this was acknowledged by the Secretariat during its meetings with the Committee. The Committee notes that the value of usable assets and consumables at the Base is approximately $61.6 million, as indicated in paragraph 2 of annex VIII. However, the Committee was informed that after clearance of a 731-container backlog and disposal of matériel, the remaining value of assets is estimated at approximately $35 million. The Committee was further informed that, of that amount, the value of the two start-up kits accounted for $6.6 million ($3.3 million each). Paragraph 3 of the same annex estimates the annual maintenance cost for the Base at $10.2 million. On the basis of the foregoing, the Committee is of the opinion that an adequate cost-benefit analysis has not been carried out. The Committee therefore reiterates its original request as endorsed by the General Assembly.

5. The funding policy proposed for the Base is indicated in paragraphs 17 to 20 of the Secretary-General's report. The clearance of the backlog constitutes a one-time only exercise. Resources required would specifically maintain a core capability, allowing the Base to fulfil essential functions, handling rapid surges of activity through the provision of temporary additional resources drawn from the budgets of the closing or new missions involved. The adoption of a principle of self-funding replenishment by charging field missions for the services performed by the Base on their behalf is proposed in paragraph 20. For start-up kit matériel, the budget of the new mission would be

charged the full cost of replacing the matériel issued as new procurement. For non-start-up kit matériel, the liquidation budget of a mission would be charged the cost of refurbishment and preservation. In this regard, the Committee notes that the General Assembly is requested to approve the inclusion of a provision for the cost of repair, refurbishment and preservation equal to 30 per cent of the total depreciated value of the equipment to be transferred to the Base. The Committee received information on the depreciation scale. The Committee was further informed, upon enquiry, that that figure corresponded to common practice in the military and civilian sectors for estimating the economic cost of repair of equipment. The Committee has no objection to the Secretary-General's funding proposals. It trusts that economies in repair of equipment will be realized and that this will be reflected in the performance report.

6. The policy for asset retention is indicated in paragraphs 28 to 30 of the report. Matériel will be retained if it can be repaired at a cost no greater than 30 per cent of its depreciated value and if after repair it still has at least two years' useful life remaining. In the opinion of the Committee this assessment should also take into account the needs of the United Nations. The Committee, however, sought further clarification regarding the use by the Secretariat of inventory value and residual value in different cases. In this connection, the Committee was informed that inventory value represented the original procurement cost of the equipment, used to record the value of that piece of equipment throughout its service life, in accordance with accounting standards. Residual value represents the depreciated value of equipment, which is used as a management tool for sales to United Nations agencies and non-governmental organizations, or for benefit analysis and objective decision-making regarding such issues as whether it is economical to repair items or to dispose of them. The Committee recommends acceptance of this proposal.

7. The policy for the transfer of assets to the Logistics Base is stated in paragraphs 23 to 27 of the Secretary-General's report. The Committee agreed with those fundamental principles of the disposition of assets in its report of 18 November 1994 (A/49/664) and the General Assembly approved them in section VII of its resolution 49/233 A of 23 December 1994. The Committee, however, must express concern with situations such as that described in paragraph 26 of the Secretary-General's report, whereby the Secretariat has found itself forced to store loaned or donated matériel because of restrictions placed on its disposal by the contributing Member State while refusing simultaneously to accept its return. The Committee notes that the Secretary-General proposes to avoid repetition of this situation in the future by including clauses in the agreement with the contributor by which the latter must either accept return of the equipment at the end of its use by the Organization or agree to its transfer to whatever third party actually operated it. The Advisory Committee recommends that in future, in the absence of an agreement to do otherwise, the United Nations should destroy the equipment.

8. Paragraph 27 of the report indicates that all assets transferred from missions and held by the Base will be recorded as assets of the Base, which will be responsible for their disposal. It is proposed by the Secretary-General to credit receipts from such disposal as miscellaneous income in the accounts of the Base. The Advisory Committee agrees to this proposal.

9. The Advisory Committee concurs with the working practices described in paragraphs 21 and 22 of the report of the Secretary-General (A/51/905) indicating his intention to use contractual services to repair, refurbish and preserve matériel as required, to request contractors to provide facilities when necessary instead of investing in new workshops and facilities at the Base, to increase contractual support only when required and to charge the additional support to the budgets of the benefiting missions. All measures should be taken to ensure that field missions maintain their equipment in good repair and serviceable condition.

10. The Advisory Committee recalls that the General Assembly is still to approve the budget of the Base and the respective staffing table for the period from 1 July 1996 to 30 June 1997. The Advisory Committee reviewed the budget and recommended, in paragraph 25 of its report of 26 June 1996 (A/50/985), that the Assembly approve the cost estimates for the Base in the amount of $7,875,000 gross to be prorated among the individual peacekeeping operation budgets. Pending approval by the Assembly, the requirements have been funded in an ad hoc manner. Furthermore, for the period from 1 July to 30 October 1997, the Committee was informed that a commitment authority of $2 million had been funded from the peacekeeping reserve fund, as authorized by the General Assembly in part VIII of its resolution 51/218 of 17 June 1997. The Committee stresses the importance of including precise reference to expenditure for Brindisi in the respective performance reports of each peacekeeping operation. The next budget for Brindisi should include performance data, including information on how expenditure was funded.

11. The total budget for the United Nations Logistics Base for the period from 1 July 1997 to 30 June 1998, as indicated in paragraphs 31 to 35 of the report (A/51/905), amounts to $14,503,900 gross ($13,952,000 net). This amount includes a maintenance budget of $10,220,700 gross ($9,744,500 net) and a one-time backlog clearance cost of $4,283,200 gross ($4,207,500 net). A summary of the maintenance budget and supplementary information are contained in annexes I and II to the Secretary-General's report. Information on the backlog clearance in annex II.C.

12. As indicated above, the Committee was informed that 731 containers remained to be cleared, requiring a staff component of 58 under special service agreements (see annex V.B). The Committee was further informed that it would take four to six months to complete the clearance of the backlog. Since some work has already started, the Committee believes that the cost may be less than the estimated $4.3 million referred to in paragraph 11 above.

13. The Secretary-General proposes to establish 44 posts for the period in question (23 international civilian staff and 21 local staff) - an increase of 11 posts over the previous period from 1 July 1996 to 30 June 1997, as shown in paragraph 34 and annex IV of his report. As indicated in annex II.B, paragraph 1, the staffing component is intended to ensure that certain core functions, including the supervision of contractual personnel, are undertaken by United Nations staff. The Committee recommends, however, that the level be reviewed in future in the light of the volume of operations.

14. A provision for $754,000 for the payment of mission subsistence allowance to international staff is included under civilian personnel costs. As indicated in paragraph 22 of the Advisory Committee's report (A/50/985), this entitlement ceases from the moment the Base is reclassified as a family duty station, which occurs once it becomes fully operational, and is provided with a regular rather than ad hoc financial and administrative arrangement in the form of an approved budget and staffing structure. In other words, once the General Assembly has approved a budget for Brindisi, ad hoc measures will cease. The Committee notes, however, that the reclassification of the Base implies that some staff will be moved and others converted, and that related expenditures would increase owing to payment of staff entitlements.

15. An amount of $1.4 million is included under general temporary assistance, including provision for 68 posts as shown in annex V of the report. The rationale, as mentioned in paragraph 9 above, is explained in paragraph 21 of the Secretary-General's report. Since the level of general temporary assistance will be governed by the level of activity, the Committee requests that this item also be re-examined when submitting the budget for the next period. The Committee was informed that all staffing positions as well as all general temporary assignment posts were fully encumbered.

16. The Committee was also informed that the host Government had offered assistance to the Organization regarding maintenance services and alteration and renovation of premises. The Committee notes that, this being the case, the provision for $1,331,000 under item 3 of the budget, Premises and accommodation, could show some savings. In this connection, the Committee recommends that in future this type of assistance, including other services such as the provision of a military assistance team provided by the host Government to technically assist United Nations Logistics Base staff with the inspection and assessment of vehicles, generators and vehicle spare parts, be reflected in the proposed budget of the Base.

17. The Advisory Committee recommends that the General Assembly take the actions indicated in section XV, paragraphs 38 (a) to (e), of the Secretary-General's report, including approval of the budget for the Base for the period from 1 July 1997 to 30 June 1998, the implementation of which should take note of the observations contained above with a view to achieving economies.

18. The Advisory Committee also recommends that the Secretary-General submit, in the context of his next report, a more precise cost-benefit analysis of the value of the Base, with adequate statistics based on minimum running costs for the Base. The Committee is of the view that since the Base has replaced the previous storage facilities in Pisa and since part of the operational costs will always exist, even if no missions are in operation, the Secretary-General should consider and propose different sources or modes of financing and look into other self-financing mechanisms besides those already proposed with regard to start-up kits and refurbishment. In addition, the Secretary-General should explore the possibility of expanding use of the Base by other United Nations agencies and programmes such as the Office of the United Nations High Commissioner for Refugees (UNHCR), and the World Food Programme (WFP), among others, and include information in that regard in his next report.

## II. MANAGEMENT OF PEACEKEEPING ASSETS

19. The report of the Secretary-General on the management of peacekeeping assets was submitted pursuant to General Assembly decision 50/500 of 17 September 1996, in which the Assembly requested a follow-up to the Secretary-General's report of 29 May 1996 (A/50/965), on the matériel management aspects.

20. The Committee notes that the Secretary-General's report takes into account many of the recommendations of the Advisory Committee, including the need to undertake a comprehensive analysis of all possible alternatives before developing a new codification system other than the United Nations coding system adopted by the procurement system REALITY, already integrated into the Integrated Management Information System (IMIS).

21. The proposal of the Secretary-General for a field mission logistics system and its structure is described in annex IV of his report of 31 July 1997, (A/51/957). The first item to be implemented, within 12 months, is the field assets control system, as indicated in section VI, paragraphs 18 to 22, of the Secretary-General's report. The rest of the system, explained in section VIII, is to be implemented through 1999. The Advisory Committee was informed that the field asset control system had been partially tested in two missions.

22. The Advisory Committee welcomes the development of this system, which not only is fully integrated, but manages assets globally and tracks them throughout their entire life cycle from initial requisition and procurement to final disposal. In this regard, the Committee recalls that the Secretary-General, in paragraph 12 of his report of 28 February 1996 on an inventory control system for non-expendable property at Headquarters (A/C.5/50/51) and in response to the recommendations of the Board of Auditors, indicated the development of a computerized inventory system to monitor property within the Organization. The Advisory Committee recommends that other departments within the Organization be encouraged to explore the possibility of utilizing the system, developed by the Department of Peacekeeping Operations using in-house expertise, thus ensuring an integrated approach for the entire Secretariat. Other funds and programmes of the United Nations should also be encouraged to have access to the system.

23. The Advisory Committee regrets, however, that the cost implications of the development of the system are not clearly presented along with a realistic implementation plan in the Secretary-General's report (A/51/957). Moreover, the actions to be taken by the General Assembly, indicated in section IX of the document, do not include an estimate of the related budgetary implications.

24. The Advisory Committee was informed, upon enquiry, that resources employed in developing the system were the product of a combination of staff resources, including United Nations staff and gratis military officers. For the subsequent development of the system, the Secretary-General proposes, in paragraph 23 of his report of 31 July 1997 (A/51/957) and paragraph 37 of his report of 7 May 1997 on the support account for peacekeeping operations (A/51/890), four additional support account posts (1 P-4, 2 P-3 and 1 GS), whose job descriptions are contained therein. The Committee was further informed that the total cost of those posts to be financed from within the support account for six months at Headquarters would be $184,000, taking into account a 5 per cent vacancy factor.

The Advisory Committee has no objection to the Secretary-General's request, on the understanding that the need for the posts would be met through redeployment.

25. The Advisory Committee was also informed, upon enquiry, that assuming resources were provided on 1 January 1998, the field assets control system would be fully finalized and deployed by 31 December 1998. After complete implementation of that system, including the in-mission tracking and movement modules, the balance of the field mission logistics system would be developed and deployed. Furthermore, the Secretariat anticipates that additional resources for the development, deployment, maintenance and support of the field mission logistics system - to be included in the 1998-1999 support account submission - are estimated to be 1 P-4, 3 P-3 and 4 GS, of whom 1 P-3 and 2 GS would provide electronic data-processing support.

26. As indicated in paragraph 24 of the report, the installation of the system and training of mission staff is to be conducted by teams composed of seven persons and total estimated costs per field mission are estimated at $7,000 for travel of the team and $19,600 for daily subsistence allowance. As also indicated, there are no additional financial implications from this item that will be funded from the recipient field mission budget.

27. The Advisory Committee concurs with the actions to be taken by the General Assembly, indicated in section IX of the report of the Secretary-General, (A/51/957), in view of the additional information provided in paragraphs 23 and 25 above. The Committee also recommends that the Secretary-General be requested to indicate, in the context of his next submission on the support account, the impact of the development of the system on the efficiency and productivity of the various peacekeeping missions.

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